



UNITED STATES SENATE
**REPUBLICAN
POLICY COMMITTEE**

Larry E. Craig, Chairman
Jade West, Staff Director

February 15, 2001

Responsible Tax Relief for All Taxpayers

Is the Bush Tax Cut Too Large?

"We're talking about a gargantuan tax cut. . ." [Senator Robert Byrd, Senate Floor, 2/15/01]

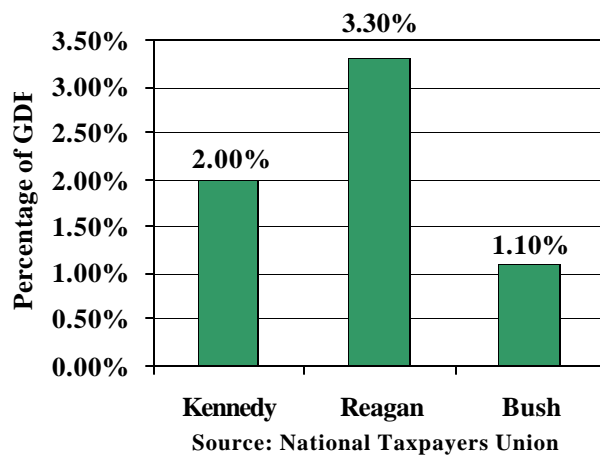
"Let me just say [the proposed tax cuts] are average." [Federal Reserve Chairman Alan Greenspan, testimony before the Senate Budget Committee, 1/25/01]

In line with his campaign promises, President Bush has proposed a \$1.6 trillion tax package that will offer relief to all income taxpayers. The President's plan would continue to pay down the debt while offering broad-based tax relief to stimulate the economy, reduce the record-high family tax burden, and target the marriage penalty and death tax.

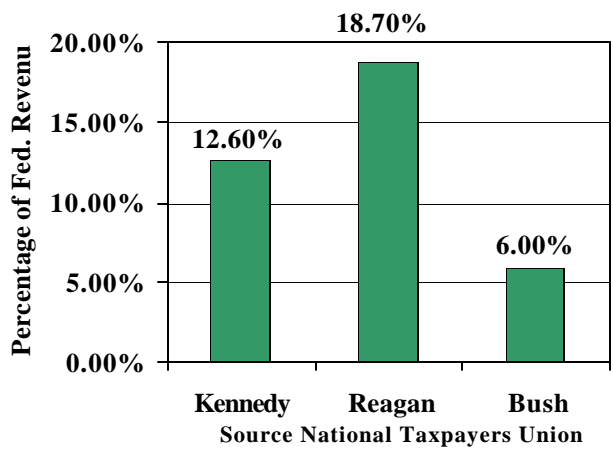
Is the Bush tax cut too big? Or is size just another excuse to keep the surplus here in Washington? Let's compare: the size of tax plans of the past, of the federal government's revenues, and of the surplus all tower in comparison to the Bush tax cut. Arguments against tax relief are arguments for further government growth. Rather than pose any sort of risk, this plan will stimulate the economy and allow Americans to keep more of their hard-earned paychecks.

History 101 — Reagan and Kennedy Cuts Were Larger

Tax Cuts vs. GDP



Tax Cuts vs. Federal Revenue



The opponents of the Bush tax plan enjoy comparing it to the Reagan tax cut of 1981. Indeed, both Bush and Reagan were elected to office on promises to cut excessive tax rates to stimulate the economy and help families, but that is where the similarities end. Whether measured as a portion of the American tax burden, the economy, or the revenues of the federal government, the Bush plan is just a fraction of the 1981 Reagan tax cut.

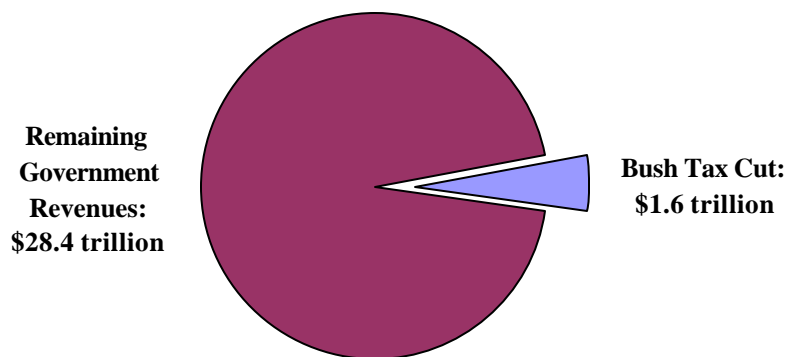
The Bush plan is also quite sober in comparison to the rarely cited Kennedy tax cut of 1963, which returned more than twice the percentage of federal revenue than the proposed Bush cut will.

Tax Cut Amounts to a Nickel Back on the Dollar

Despite its modest size, some insist the government cannot afford the Bush tax cut. They argue the Bush plan will starve the budget of necessary reserves.

But Congressional Budget Office (CBO) estimates refute this argument. According to the CBO, government revenue from 2002-2011 will be approximately \$30 trillion. President Bush proposes to allow taxpayers to keep \$1.6 trillion of that total. That's just 5 cents of every dollar Uncle Sam will take in over the next 10 years. Do opponents of the President's plan deny that the hardworking taxpayers deserve a nickel back from every \$1 they send to D.C.?

Government Revenue: 2002-2011



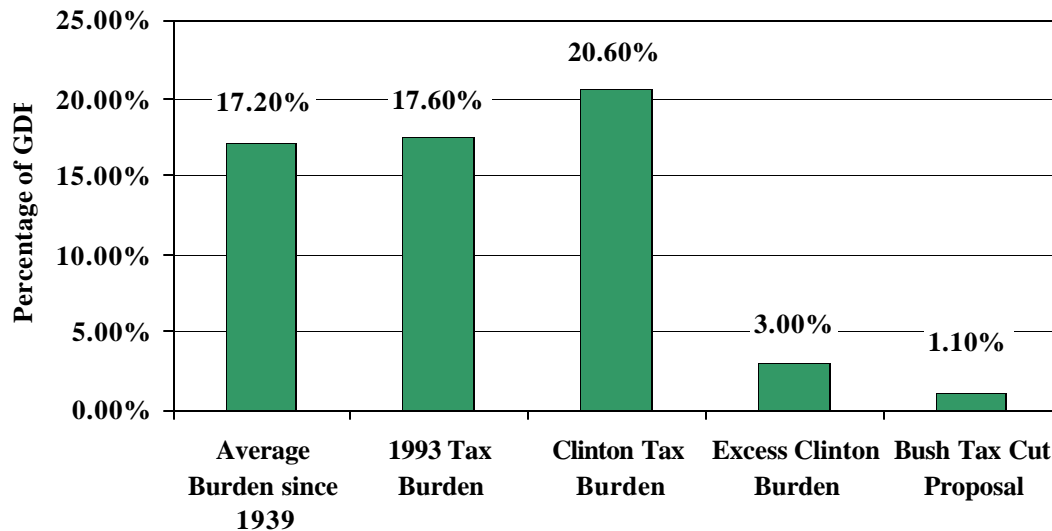
Source: Congressional Budget Office and Republican Study Committee

Bush Tax Cut Smaller than Clinton Tax Increase

Under the Clinton Administration, the federal tax burden soared. When Clinton assumed office the federal government took 17 cents of every dollar Americans earned. Today that level is 20 cents, a 3-cent increase.

This 3-percentage point hike in the federal tax burden translates into \$4.1 trillion in extra tax

burden from 2002-2011. The Bush plan would return just a portion — \$1.6 trillion — of this Clinton Tax. Oddly, many who assert that the Bush plan threatens the economy with its supposed enormity, have no qualms with excessive federal revenues and spending pulling more from the economy than ever before.



Source: Congressional Budget Office

Bush Tax Cut vs. Clinton Tax Burden

Where the \$5.6 Trillion Surplus Goes

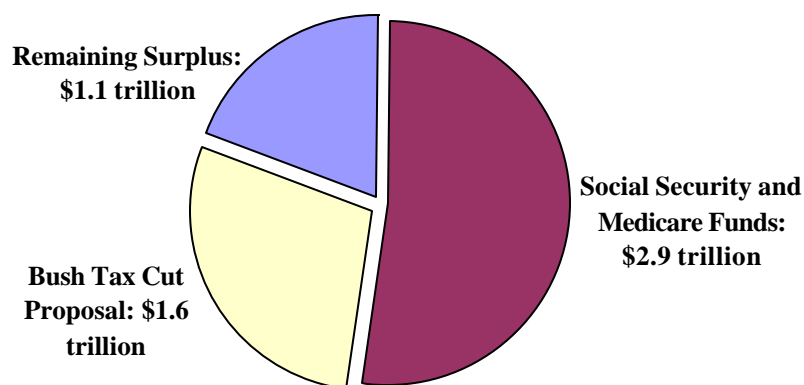
Some opponents to the \$1.6-trillion tax cut claim it is unbalanced and will thoroughly deplete the surplus, but the Bush tax plan is a balanced proposal to stimulate the economy and reduce the tax burden while still following funding priorities. The reality is that of the \$5.6 trillion surplus, 52 percent will go to debt relief, Social Security, and Medicare, 20 percent will be for targeted spending, and 28 percent will go to tax relief.

Allocation of the \$5.6 Trillion Surplus

Make No Mistake About It

By any measure, the size of the Bush tax cut is reasonable and modest. It is a part of a comprehensive budget plan that will pay down the debt, reduce the record tax burden, and increase funding for education, health care, and defense. It is a disciplined, balanced approach that will not erase the surplus, but will put a portion of it back where it belongs — in the wallet of the taxpayers and out of Washington.

Paper by Christopher Field;
RPC Contact: Brian Reardon, 4-2946



Source: Congressional Budget Office and Republican Study Committee